



INTERNATIONAL MARKET ANALYSIS

Patterns Shift in Global Durum Trade

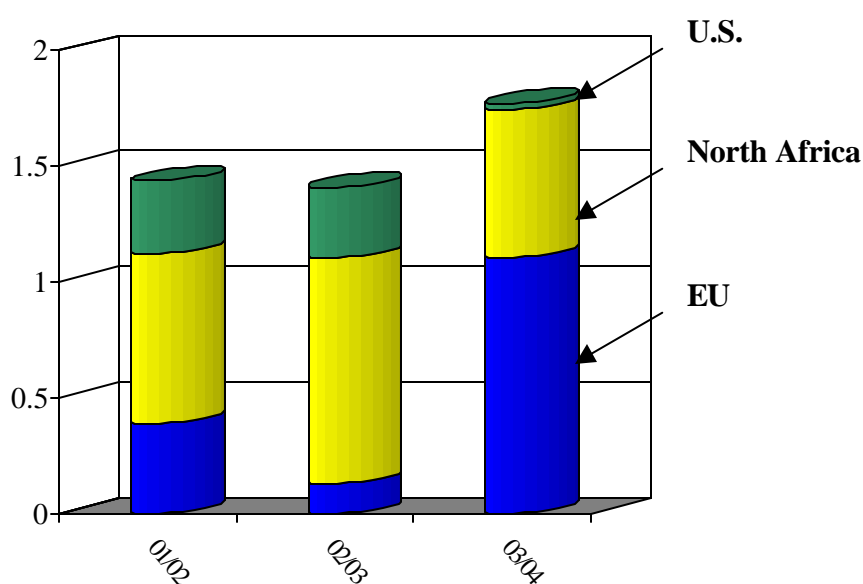
World durum trade patterns have shifted this year due to production fluctuations in key markets.

Importers

North Africa: Import levels in North Africa--the largest durum-importing region in the world--have fallen considerably this year. The region typically accounts for nearly half of the 6+ million ton world durum trade, with very high consumption of durum-based products such as couscous and pasta. The level of import demand, however, fluctuates from year to year depending on the size of the domestic crops. Durum production is substantial in the region, accounting for the majority of wheat area in Algeria and Tunisia, as well as a large percentage of the area in Morocco. Plentiful rains greatly benefited last year's crops, with yields in Algeria even reaching a record level. Subsequently, imports have declined in these markets, with shipments from Canada down more than a third. The contraction of this market has forced some durum exporters to seek other destinations.

EU: The European Union, on the other hand, has emerged as a larger market for imports this year to compensate for the worst wheat harvest in 8 years. Some European analysts estimate that the durum crop fell nearly a million tons as a result of the severe summer drought (down over 10 percent). Consequently, several EU countries, especially Italy, have stepped up imports. Italy typically imports more than a million tons (non-EU) to use in pasta production, much of which is then exported (the United States' being Italy's largest market outside the EU). In order to maintain steady pasta exports, Italy has thus turned to a variety

Canada's Durum Exports to Select Markets
July/Jan



Grain: World Markets and Trade, April 2004

of sources, with purchases primarily from Canada, but also from Australia, Syria, the United States, and even Iraq. Total EU durum import licenses issued by the Commission so far this year have already reached 1.7 million tons--four times greater than last year.

Latin America: Venezuela is increasing imports from last year's depressed level. Domestic turmoil and concerns over the country's monetary situation tempered purchases, but as the situation has stabilized, imports have returned to more normal patterns. The United States has been the primary beneficiary, as shipments from Canada have remained fairly steady. Venezuela has one of the highest pasta consumption rates in the world, which necessitates large-scale imports since no durum is produced domestically.

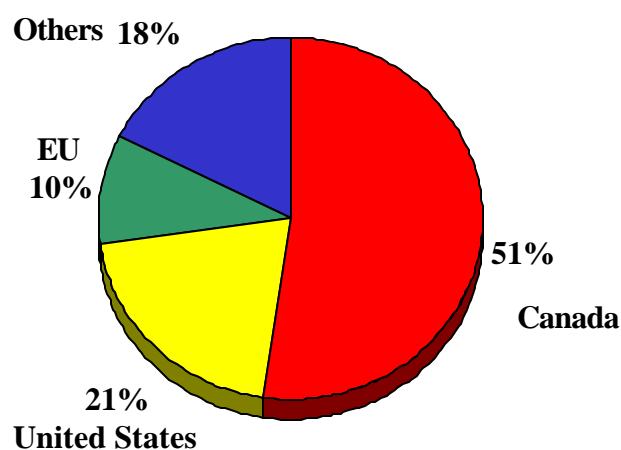
Exporters

Canada: The world's largest durum exporter by far, Canada is increasing exports from last year's level (a 9-year low). Agriculture and Agri-Food Canada estimates 2003 durum production to be about 10 percent larger than the previous crop. Although exports are up, its two primary markets --North Africa (which last year took nearly 60 percent of Canada's durum exports) and the United States--have imported considerably less. Exports into the United States, in fact, have been extremely low as preliminary duties put in place as a result of an anti-dumping and countervailing duty case, since removed, made importing Canadian durum unattractive. In addition, a better quality U.S. durum crop resulted in millers increasing their dependence on the domestic crop. Canada has, however, benefited from a dramatic rise in EU imports, capturing the lion's share of this enlarged market.

United States: Durum exports from the United States have also recovered, as 2003 production was up from the previous crop--the smallest in nearly a decade. Sales are expanding, with exports currently estimated at more than a million tons--up 25 percent from last year. Exports have expanded this year into a smaller North African market, where there has been reduced EU competition, as well as into Venezuela. U.S. commitments to the latter have already surpassed 150,000 tons, from less than 50,000 tons at this time last year.

Others: With tightening supplies in the EU--the third largest durum exporter--sales and shipments are down significantly this year. Through the end of March, export licenses awarded by the Commission are only half of last year's volume. **Mexican** exports (which go primarily to Algeria) are also expected to be down, as production has

World Durum Exports
00/01-02/03 average



Others include Mexico, Australia, and Syria

fallen due to reduced planted area, as well as acute water shortages. **Syria**, however, has emerged as a considerable supplier, exporting to North African and even European markets. Syria has built substantial stocks as production has consistently outpaced consumption. In order to maintain stocks at a reasonable level, the government has stepped up exports.

Outlook

World durum demand in 2004/05 could shrink if favorable weather continues in key Mediterranean markets. Expected higher production in the EU is expected to subsequently reduce this import market and raise exportable supply. With crop prospects currently favorable in North Africa, there could be a repeat of reduced demand. Smaller world demand, as well as greater EU exportable supply and a larger Canadian crop, could intensify competition between Canada and the United States.

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Note: Durum refers to grain only unless otherwise indicated.